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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JULY 19, 2002

APPLICATION OF

ANTHEM, INC.

and

CASE NO. INS-2002-00131

TRIGON HEALTHCARE, INC.,

Applicants.

FINAL ORDER

On May 31, 2002, Anthem, Inc. ("Anthem"), a corporation domiciled in the State of Indiana, and Trigon Healthcare, Inc. ("Trigon"), a corporation domiciled in the Commonwealth of Virginia (collectively "Applicants") filed a Form A Application for Approval of Acquisition of Control of or Merger with a Domestic Insurer or Health Maintenance Organization ("Form A") with the State Corporation Commission ("Commission") for approval, pursuant to § 38.2-1326 of the Code of Virginia, of Anthem's proposed acquisition of Trigon.¹ Entities subject to regulation by the Commission within the Trigon group and

¹ Anthem and Trigon jointly applied to have Anthem acquire Trigon Insurance Company d/b/a Trigon Blue Cross Blue Shield and Trigon Health and Life Insurance Company, domestic insurers licensed to transact the business of insurance in the Commonwealth of Virginia and affiliated with Trigon, and Trigon's affiliated and licensed domestic health maintenance organizations (HealthKeepers, Inc., Peninsula Health Care, Inc., and Priority Health Care, Inc.) through the proposed merger of Trigon Healthcare, Inc., with and into AI Sub Acquisition Corp., a corporation domiciled in the State of Indiana and a direct wholly owned subsidiary of Anthem.

affected by the acquisition include: Trigon Insurance Company, Trigon Health and Life Insurance Company, HealthKeepers, Inc., Priority Health Care, Inc., and Peninsula Health Care, Inc. (collectively referred to as the "insurers"). The Commission entered an Order Scheduling Public Hearing on June 4, 2002, in which a hearing date of July 10, 2002, was set.

On June 28, 2002, the Division of Consumer Counsel, Office of the Attorney General, provided its notice of intent to participate in this matter, pursuant to the Commission's Scheduling Order in this case and Rule 5 VAC 5-20-30 of the Commission's Rules of Practice and Procedure. On July 10, 2002, this matter came before the Commission for hearing.

Pursuant to § 38.2-1326 of the Code of Virginia, the Commission will hereby approve Anthem's proposed acquisition of the insurers. The bases listed in § 38.2-1326 of the Code of Virginia for disapproval of an acquisition have not been shown to exist in this case.

The Commission also has the authority, pursuant to § 38.2-1327 of the Code of Virginia, to impose in its order any conditions, stipulations, or provisions, which the Commission determines to be necessary to protect the interests of the policyholders and enrollees of the insurers and the public. While the Commission will only impose one condition, the Commission believes it is appropriate to remind Anthem of the

statutory and regulatory requirements to which the acquired insurers are subject pursuant to Virginia law.

The Commission believes it is in the best interest of policyholders, enrollees, and the public that certain operations and services be conducted by Anthem in the Commonwealth of Virginia. The Commission hereby will require that Anthem cause to be provided through the acquired insurers the following services from offices located in the Commonwealth of Virginia unless the Bureau of Insurance gives its prior written approval that these services may be provided outside the Commonwealth of Virginia: claims processing and case management, customer service, actuarial, underwriting, marketing, quality management, community relations, distribution management, sales, provider services, medical management, and network development.

If Anthem seeks, either directly or through any of the acquired insurers, the written approval of the Bureau of Insurance for an exception to the foregoing requirement (an "Exception Transaction"), it shall provide written notice to the Bureau of Insurance using the appropriate forms specified in the Commission's Rules and Regulations, as applicable to the transaction. The Bureau of Insurance's substantive review of the Exception Transaction and the procedures and standards applicable to the application for approval and review shall be governed by the relevant provisions of Title 38.2, including,

but not limited to, §§ 38.2-1330 and 38.2-1331 of the Code of Virginia.

This condition is imposed on those Anthem-affiliated entities that, subsequent to the approval of this application, are subject to the authority and jurisdiction of this Commission.

Trigon Insurance Company currently provides a number of high-level contact persons for the Bureau of Insurance. These senior level officials have been accessible and available to the Bureau of Insurance. The Commission fully expects this level of communication and cooperation to continue after the acquisition is completed.

The Commission will also require that, upon the completion of the acquisition, the acquired insurers will comply with all applicable Virginia laws and regulations, including, but not limited to, the Ethics and Fairness in Carrier Business Practices Act, § 38.2-3407.15 of the Code of Virginia, and the Unfair Claim Settlement Practices Act, § 38.2-510 of the Code of Virginia, and associated regulations. As part of Anthem's responsibilities under Virginia law, subsequent to the consummation of the acquisition, it must cause to be maintained a medical director licensed to practice medicine in the Commonwealth of Virginia for all of its entities performing

utilization review in accordance with Article 1.2 of Chapter 5 of Title 32.1 of the Code of Virginia.

The Commission has the authority, and will continue to have the authority, to obtain timely access to the accounts, records, documents, and transactions affecting the affairs of those entities subject to the Commission's jurisdiction upon the completion of the acquisition.

Accordingly, IT IS HEREBY ORDERED THAT:

(1) The Application for Approval of Acquisition of Control of or Merger with a Domestic Insurer or Health Maintenance Organization by Anthem and Trigon is approved;

(2) Anthem cause to be provided through the acquired insurers the following services from offices located in the Commonwealth of Virginia upon the consummation of the acquisition unless the Bureau of Insurance gives its prior written approval that these services may be provided outside the Commonwealth of Virginia: claims processing and case management, customer service, actuarial, underwriting, marketing, quality management, community relations, distribution management, sales, provider services, medical management, and network development; and

(3) There being nothing further to come before the Commission, this matter is dismissed.